

**REPORT OF THE AUDIT OF THE
ANDERSON COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2004**



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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Ernie Fletcher, Governor

Robbie Rudolph, Secretary

Finance and Administration Cabinet

Honorable Anthony D. Stratton, Anderson County Judge/Executive

Members of the Anderson County Fiscal Court

The enclosed report prepared by Mountjoy & Bressler, LLP, Certified Public Accountants, presents the statement of revenues, expenditures, and excess fees - regulatory basis of the County of Anderson County, Kentucky, for the year ended June 30, 2004.

We engaged Mountjoy & Bressler, LLP to perform the audit of this statement. We worked closely with the firm during our report review process; Mountjoy & Bressler, LLP evaluated the Anderson County Fiscal Court's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen".

Crit Luallen
Auditor of Public Accounts

Enclosure



EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE ANDERSON COUNTY FISCAL COURT

June 30, 2004

Mountjoy & Bressler, LLP has completed the audit of the Anderson County Fiscal Court for fiscal year ended June 30, 2004.

We have issued an unqualified opinion on the governmental activities, each major fund, and aggregate remaining fund information financial statements of Anderson County, Kentucky.

Financial Condition:

The fiscal court had total assets of \$5,194,145 as of June 30, 2004. The fiscal court had unrestricted net assets of \$941,819 in its governmental activities as of June 30, 2004, with total net assets of \$2,429,987. The fiscal court had total debt principal as of June 30, 2004 of \$2,764,158 with \$200,306 due within one year.

Deposits:

The fiscal court deposits were insured and collateralized by bank securities.

Report Comment:

None.

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To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable Anthony D. Stratton, Anderson County Judge/Executive
Members of the Anderson County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Anderson County, Kentucky, as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Anderson County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Anderson County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Anderson County, Kentucky, as of June 30, 2004, and the respective changes in financial position, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The county has implemented Governmental Accounting Standards Board Statements 33, 34, and 37 as they relate to the modified cash basis of accounting as described in Note 1, which has altered the format and content of the basic financial statements.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express an opinion on it.

To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable Anthony D. Stratton, Anderson County Judge/Executive
Members of the Anderson County Fiscal Court

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Anderson County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, are presented for additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated January 30, 2006 on our consideration of Anderson County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Respectfully submitted,

Mountjoy & Bressler, LLP.

Mountjoy & Bressler, LLP

Audit fieldwork completed -
January 30, 2006

ANDERSON COUNTY OFFICIALS

For The Year Ended June 30, 2004

Fiscal Court Members:

Anthony Dale Stratton	County Judge/Executive
Bobby Peach	Magistrate
Hubert Shields	Magistrate
Juretta Wells	Magistrate
Alton Warford	Magistrate
John Wayne Conway	Magistrate
Larry Smith	Magistrate

Other Elected Officials:

Bobbi Jo Lewis	County Attorney
Joani Clark	Jailer
Harold Ritchey	County Clerk
Jan Rogers	Circuit Court Clerk
Troy Young	Sheriff
Margaret Woodside	Property Valuation Administrator
Brian Ritchie	Coroner

Appointed Personnel:

W. Dudley Shryock	County Treasurer
Donna Eckman	Occupational Tax Collector
Heather Major	Finance Officer
Todd Sparrow	911 Administrator

**Anderson County
Management's Discussion and Analysis
June 30, 2004**

GASB 34 reporting requirements were first implemented by the Anderson County Fiscal Court for fiscal year ended June 30, 2004. Government-wide financial statements, this Management Discussion and Analysis, as well as other required supplementary information are new to the county audit package. The explanations and definitions found in the notes to the financial statements provide detailed information that is essential to a full understanding of the basic statements and their components.

Management's discussion and analysis of Anderson County's financial performance provides an overview of the County's financial activities for the fiscal year ending June 30, 2004.

Financial Highlights

The County collected \$2,718,896 in revenue, borrowed \$735,471 and transferred in \$68,732 from other funds for a total of \$3,523,099 revenue in the General Fund. Expenses in the General Fund totaled \$3,008,098 plus transfers of \$510,162 to the other funds for a total of \$3,518,260 in General Fund disbursements. The County showed a net gain of \$4,840 in the General Fund for the fiscal year.

The Road and Bridge Fund collected \$876,514 in revenue and transferred \$85,315 from other funds into the fund of the 2004 budget year. The total expenses for the year were \$883,341.

The AEMS Fund is used to account for the operation of the emergency medical response system in the county. The AEMS Fund had a fund deficit at June 30, 2004 of \$8,684. The AEMS Fund received \$881,741 from its operation, borrowed \$50,000 and the County transferred in \$250,000. Total expenses for the year were \$1,190,425.

The Capital Outlay Fund is used to help maintain other funds. During the fiscal year, there were receipts of \$695,558. Expenditures totaled \$70,562 plus transfers into other funds of \$495,639 for a total of \$566,201.

Overview of the Financial Statements

This management discussion and analysis is intended to serve as an introduction to Anderson County's basic financial statements which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

GASB 34 requires management to include certain comparison schedules when they are available. This analysis does not include prior and current comparisons of general revenues by major source and program expenses by function; however, this information will be included in subsequent years.

Government-wide Analysis

The government-wide financial statements are designed to provide reader with a broad overview of Anderson County's finances in a manner similar to a private-sector business.

The Statement of Net Assets presents information Anderson County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Anderson County is improving or deteriorating.

The Statement of Activities presents information showing how the government's net assets change during the fiscal year. All changes in net assets are reported on a modified cash basis of accounting. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses, and related assets and liabilities.

Anderson County
Management's Discussion and Analysis
June 30, 2004
(Continued)

Under the County's modified cash basis of accounting, revenues and expenses and related assets and liabilities are recorded when they result from a cash transaction, except for the recording of depreciation expenses on capital assets in the government-wide financial statements for all activities and in the fund financial statements for the proprietary fund activities.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as amounts billed for services provided, but not collected) and accounts payable (expense for good and services received but not paid) or compensated absences are not recorded.

The government-wide financial statements provide information on the functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities). Anderson County's governmental activities include general government, protection to persons and property, roads, recreations and culture, general health and sanitation, and social services.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Anderson County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with legal and statutory requirements.

Governmental Funds

Governmental Funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on currents inflows and outflows of spend able resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's current financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader may better understand the long-term impact of the government's current financing decisions. Both the governmental fund balance sheet and the governmental funds statements of revenues, expenditures and changes in fund balances provide reconciliation to facilitate this comparison between governmental fund and governmental activities.

Anderson County has thirteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Road and Bridge Fund, AEMS Fund, and Capital Outlay Fund, which are the major funds of the of the County. The Jail Fund, Local Government Economic Assistance (LGEA) Fund, Park Fund, Courtfine Courthouse Fund, CDBG Fund, Cellular E-911 Fund, AOC Escrow Fund, Park Land Fund and the Escrow Fund are considered non-major funds.

Anderson County adopts an annual appropriated budget for its major governmental funds. Budgetary comparison statements have been provided for the General Fund, Road and Bridge Fund, and AEMS Fund, and Capital Outlay Fund to demonstrate compliance with their budgets.

**Anderson County
Management's Discussion and Analysis
June 30, 2004
(Continued)**

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Financial Analysis

The Statement of Net Assets incorporates private sector business representations similar to a balance sheet. Capital assets and depreciation are included for the first time in this government report. Assets that are greater than liabilities result in net assets that over time may be viewed as "owners (taxpayers) equity".

The addition of non-current assets net of depreciation greatly increases our total government assets. Net assets of \$4,252,326 equals 82% of this total. Unrestricted assets of \$941,819 may be used to meet the government's ongoing obligations to its citizens and creditors. The fiscal court is not presenting comparative financial information in the fiscal year 2004 report due to the fact that this was the first year the county implemented GASB 34. However, this information will be presented in future years.

Government Activities

Anderson County's governmental activities include protection to person and property, general government, general health and sanitation, roads, debt services, social services, recreation, and capital projects. Taxes and intergovernmental revenues support these functions.

The Statement of Activities matches expenditures with revenues by function. Examination of this table can reveal to what extent general tax revenues are required to fund activities.

It is significant to note that Anderson County receives a significant portion of its funding from property taxes, county road aid from the state, and the insurance premium tax. These taxes are used to finance general government activities, road maintenance, jail operations, park operations, and supplement emergency medical services. E-911 collections are restricted as to how they are can be spent and are separated from general unrestricted assets. Total net assets increased by \$ 284,945. This increase is a combination of additional capital assets and budget savings from operations.

Capital Assets

Anderson County's investment in capital assets for its governmental activities as of June 30, 2004, amounts to \$4,252,326 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements to land other than buildings, machinery and equipment, vehicles and infrastructure.

Major capital asset events during the 2004 fiscal year included the purchase of land for the county park in the amount of \$521,319, the purchase of sports lighting equipment in the amount of \$71,490 and the purchase of an ambulance in the amount of \$50,000.

Additional information on the county's capital assets can be found in Note3 of this report.

Anderson County
Management's Discussion and Analysis
June 30, 2004
(Continued)

Debt

Anderson County's total indebtedness at the close of June 30, 2004 was \$2,764,158. Financing obligations consisted of the AOC Courtroom \$1,152,000, County Park \$855,000, County Park Annex \$491,372, two ambulance leases \$63,537, and lighting for the baseball fields \$47,500, and road equipment \$154,749. Additional information related to the county's indebtedness may be obtained by referring to Note 4 – Long-term Debt in the Notes to the Financial Statements.

Financial Analysis of County's Funds

Anderson County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of government's net resources available for spending at the end of the fiscal year.

As of the end of June 30, 2004 fiscal year, the combined ending fund balances of County governmental funds was \$941,819. Approximately \$914,340 of this consists of unreserved fund balance, which is available as working capital and for current spending in accordance with the purpose of the specific funds. The remainder of the fund balance \$27,479 is committed for restricted purposes.

The County has thirteen governmental funds. These are 1) General Fund; 2) Road and Bridge Fund; 3) Jail Fund; 4) Anderson Emergency Medical Services (AEMS) Fund; 5) Park Fund; 6) Court Fine Courthouse Repair Fund; 7) Capital Outlay Fund; 8) Local Government Economic Assistance (LGEA) Fund; 9) Community Development Block Grant Fund; 10) E-911 Fund; 11) Park Land Fund; 12) AOC Escrow Fund; and 13) Escrow Fund..

1. The General Fund is the chief operating fund of Anderson County. This fund collected 110% of its budgeted revenue while transferring in excess of \$510,162 to other funds. Expenditures were held to 78% of budgeted amounts showing Anderson County's willingness to control costs. As a measure of liquidity, it may be useful to compare unreserved fund balance (\$179,511) to total fund expenditures (\$3,008,098). Unreserved fund balance represents 6% of total General Fund expenditures.
2. The Road and Bridge Fund accounts for infrastructure construction, repairs, and maintenance. Revenues cover 99% of these expenditures, with the balance being supplied by transfers from the Capital Outlay Fund. This fund purchased equipment and made payments on financed equipment costing \$164,981.
3. Anderson County's jail was closed several years ago. The Jail Fund accounts for jail operations, primarily contracts with other counties and transport officers payroll. The Capital Outlay Fund supplements expenditures unreimbursed by state allowances. Transfers to the Jail Fund of \$365,590 represent 55% of insurance premium tax receipts for the fiscal year.
4. AEMS or Anderson Emergency Medical Services Fund originally budgeted \$959,043. As the year unfolded, an additional \$376,266 was added: \$250,000 of transfers from the Capital Outlay Fund, \$50,000 borrowed funds, and \$881,741 of revenue. Salaries and wages were the major expenditure, with billing/collection (\$90,246), vehicle purchase (\$61,307), vehicle debt service (\$30,715), vehicle fuel (\$23,078), and vehicle repairs/maintenance (\$35,543) being next in order. Cost cutting efforts are never ending as Anderson County strives to balance cost with a state of the art emergency medical response system.
5. The Park fund essentially finances its park department with insurance premium tax receipts. Transfers from the Capital Outlay Fund (\$260,000) represent 76% of the Park receipts. The only other sources of funds are facility rental, vending commissions, concession sales, and city contributions. Expenditures are dominated by debt service on the land, annex, and baseball lighting project. Maintenance, utilities, and salaries (Director, maintenance, concession workers, and umpires) take up most of the remaining budget.

Anderson County
Management's Discussion and Analysis
June 30, 2004
(Continued)

6. The Court Fine Courthouse Repair Fund collected \$59,320 in fines and coupled them with a prior year surplus of \$57,215. Courthouse repairs, maintenance, and utilities consumed \$95,191, leaving a surplus of \$21,344 to carryover into the next fiscal year.
7. The Capital Outlay Fund receives revenue from the insurance premium tax, business license fees, and interest on bank accounts within the fund. The majority of the fund's money is transferred to other funds to operate their budgets. Occasional refunds to insurance companies and program support for the University of Kentucky Extension Service (\$70,400) are the only budgeted disbursements from the fund.
8. Local Government Economic Assistance (LGEA) Fund consists of mineral severance taxes collected by the State and passed on to the County. Anderson County uses these funds to supplement its road maintenance and also to provide support to the public advocacy program and adult literacy center.
9. The Community Development Block Grant Fund accounts for restricted federal funds supplemented with county General Funds for building water lines in rural Anderson County. South Anderson Water District is the sub recipient of this grant. There was very little activity in this account for the fiscal year ended June 30, 2004.
10. Restrictions are placed on the E-911 Fund disbursements. Of the \$124,204 available funds, only \$41,088 was spent on 911 equipment, maintenance, and repairs.
11. The Park Land Fund was seldom used during the fiscal year ended June 30, 2004. It was intended to receive donation from the public and use these donation to improve the park infrastructure. Unfortunately, the optimistically anticipated donations did not arrive.

General Fund Budgetary Highlights

The County's budget was amended by \$734,540 during the fiscal year to incorporate unforeseen circumstances. Material changes include additional county road aid received from the state for highway paving and patching, tobacco settlement funds which were passed through to sub recipient South Anderson Water District for a water project, borrowed funds used to purchase park annex land, road equipment, and an ambulance, additional funds transferred to the jail due to jail census exceeding anticipated amounts, and various interfund transfers.

Amendments increase the overall budget however transfers revise line item appropriations up or down but with no net change to the fund.

Requests for Information

This required supplementary information report provides a general overview of Anderson County Fiscal Court's finances. Questions concerning any of the information provided or request for additional financial information should be addressed the Anderson County Treasurer, 137 South Main Street, Lawrenceburg, KY 40342.

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ANDERSON COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2004

ANDERSON COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2004

	<u>Primary Government Governmental Activities</u>
ASSETS	
Current Assets:	
Cash and Cash Equivalents	\$ 941,819
Total Current Assets	<u>941,819</u>
Noncurrent Assets:	
Capital Assets - Net of Accumulated Depreciation	
Land and Land Improvements	1,096,319
Buildings	2,322,471
Other Equipment	96,935
Vehicles and Equipment	473,607
Infrastructure	<u>262,994</u>
Total Noncurrent Assets	<u>4,252,326</u>
Total Assets	<u>5,194,145</u>
LIABILITIES	
Current Liabilities:	
Financing Obligations Payable	<u>200,306</u>
Total Current Liabilities	<u>200,306</u>
Noncurrent Liabilities:	
Financing Obligations Payable	<u>2,563,852</u>
Total Non-current Liabilities	<u>2,563,852</u>
Total Liabilities	<u>2,764,158</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	1,488,168
Unrestricted	<u>941,819</u>
Total Net Assets	<u>\$ 2,429,987</u>

The accompanying notes are an integral part of the financial statements.

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ANDERSON COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2004

ANDERSON COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

		Program Revenues Received		
Functions/Programs Reporting Entity	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 161,779	\$ 1,056,413	\$ 734,393	\$ 3,250
Protection to Persons and Property	2,203,253	84,094	50,731	
General Health and Sanitation	304,338	126,639		
Social Services	24,024			
Recreation and Culture	797,832	41,688	10,000	
Roads	402,436		841,153	
Administration	985,376			
Interest on Long-term Debt	168,191			
Capital Projects	258,690			
Total Governmental Activities	5,305,919	1,308,834	1,636,277	3,250
Total Primary Government	\$ 5,305,919	\$ 1,308,834	\$ 1,636,277	\$ 3,250

General Revenues:

Taxes:

Real Property Taxes

Personal Property Taxes

Motor Vehicle Taxes

Insurance Premium Taxes

Other Taxes

Excess Fees

Reimbursement

Miscellaneous Revenues

Interest Received

Total General Revenues

Change in Net Assets

Net Assets - Beginning (Restated)

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

ANDERSON COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2004
(Continued)

**Net (Expenses) Revenues
and Changes in Net Assets**
Primary Government

Governmental Activities	Totals
\$ 1,632,277	\$ 1,632,277
(2,068,428)	(2,068,428)
(177,699)	(177,699)
(24,024)	(24,024)
(746,144)	(746,144)
438,717	438,717
(985,376)	(985,376)
(168,191)	(168,191)
(258,690)	(258,690)
<u>(2,357,558)</u>	<u>(2,357,558)</u>
<u>\$ (2,357,558)</u>	<u>\$ (2,357,558)</u>

939,156	939,156
101,524	101,524
139,049	139,049
668,727	668,727
282,323	282,323
196,221	196,221
125,127	125,127
182,211	182,211
8,165	8,165
<u>2,642,503</u>	<u>2,642,503</u>
284,945	284,945
<u>2,145,042</u>	<u>2,145,042</u>
<u>\$ 2,429,987</u>	<u>\$ 2,429,987</u>

The accompanying notes are an integral part of the financial statements.

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ANDERSON COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2004

ANDERSON COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2004

	<u>General Fund</u>	<u>Road And Bridge Fund</u>	<u>AEMS Fund</u>	<u>Capital Outlay Fund</u>	<u>Non- Major Funds</u>
ASSETS					
	\$ 182,518	\$ 53,646	\$ (8,684)	\$ 518,364	\$ 195,975
Total Assets	<u>\$ 182,518</u>	<u>\$ 53,646</u>	<u>\$ (8,684)</u>	<u>\$ 518,364</u>	<u>\$ 195,975</u>
 FUND BALANCES					
Fund Balances:					
Reserved for:					
Encumbrances	\$ 3,007	\$ 9,813	\$ 4,367	\$	\$ 10,292
Unreserved:					
General Fund	179,511				
Special Revenue Fund		43,833	(13,051)		162,843
Capital Projects Fund				518,364	882
Debt Service Fund					21,958
Total Fund Balances	<u>\$ 182,518</u>	<u>\$ 53,646</u>	<u>\$ (8,684)</u>	<u>\$ 518,364</u>	<u>\$ 195,975</u>

The accompanying notes are an integral part of the financial statements.

ANDERSON COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
June 30, 2004
(Continued)

Total Governmental Funds	
<hr/>	
\$	941,819
\$	941,819
<hr/>	

\$	27,479
	179,511
	193,625
	519,246
	21,958
<hr/>	
\$	941,819
<hr/>	

Reconciliation of the Balance Sheet -Governmental Funds to the Statement of Net Assets:

Total Fund Balances	\$ 941,819
Amounts Reported For Governmental Activities In The Statement Of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources And Therefore Are Not Reported in the Funds.	5,533,868
Accumulated Depreciation	(1,281,542)
Liabilities:	
Due Within One Year - Financing Obligations	(200,306)
Due In More Than One Year - Financing Obligations	(2,563,852)
Net Assets Of Governmental Activities	<u>\$ 2,429,987</u>

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ANDERSON COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

ANDERSON COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

	<u>General Fund</u>	<u>Road And Bridge Fund</u>	<u>AEMS Fund</u>	<u>Capital Outlay Fund</u>
REVENUES				
Taxes	\$ 1,404,944	\$	\$ 57,108	\$
Excess Fees	196,221			
Licenses and Permits	111,647			
Intergovernmental	721,142	841,153	11,133	668,727
Charges for Services	126,639		806,500	21,466
Miscellaneous	155,863		7,000	
Interest	2,441	35,361		5,365
Total Revenues	<u>2,718,897</u>	<u>876,514</u>	<u>881,741</u>	<u>695,558</u>
EXPENDITURES				
General Government	613,336			162
Protection to Persons and Property	412,391		1,159,710	
General Health and Sanitation	311,088			
Social Services	24,024			
Recreation and Culture	521,319			70,400
Roads		690,790		
Debt Service	110,389			
Capital Projects	231,618	21,822		
Administration	783,933	170,729	30,715	
Total Expenditures	<u>3,008,098</u>	<u>883,341</u>	<u>1,190,425</u>	<u>70,562</u>
Excess (Deficiency) of Revenues Over Expenditure Before Other Financing Sources (Uses)	<u>(289,201)</u>	<u>(6,827)</u>	<u>(308,684)</u>	<u>624,996</u>
Other Financing Sources (Uses)				
Financing Obligations	735,471		50,000	
Transfers From Other Funds	68,732	85,315	250,000	162
Transfers To Other Funds	(510,162)			(495,639)
Total Other Financing Sources (Uses)	<u>294,041</u>	<u>85,315</u>	<u>300,000</u>	<u>(495,477)</u>
Net Change in Fund Balances	4,840	78,488	(8,684)	129,519
Fund Balances - Beginning	177,678	(24,842)		388,845
Fund Balances - Ending	<u>\$ 182,518</u>	<u>\$ 53,646</u>	<u>\$ (8,684)</u>	<u>\$ 518,364</u>

The accompanying notes are an integral part of the financial statements.

ANDERSON COUNTY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2004
(Continued)

Non- Major Funds	Total Governmental Funds
\$	\$ 1,462,052
	196,221
	111,647
325,263	2,567,418
58,620	1,013,225
33,914	196,777
358	43,525
<u>418,155</u>	<u>5,590,865</u>
	613,498
628,766	2,200,867
	311,088
	24,024
200,607	792,326
21,792	712,582
217,763	328,152
5,250	258,690
	985,377
<u>1,074,178</u>	<u>6,226,604</u>
 <u>(656,023)</u>	 <u>(635,739)</u>
	785,471
670,324	1,074,533
<u>(68,732)</u>	<u>(1,074,533)</u>
<u>601,592</u>	<u>785,471</u>
(54,431)	149,732
250,406	792,087
<u>\$ 195,975</u>	<u>\$ 941,819</u>

The accompanying notes are an integral part of the financial statements.

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**ANDERSON COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

For The Year Ended June 30, 2004

**ANDERSON COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

For The Year Ended June 30, 2004

Reconciliation to the Statement of Activities:

Net Change in Fund Balances - Total Governmental Funds	\$	149,732
--	----	---------

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Capital Outlay		949,277
Depreciation Expense		(188,554)

The issuance of long-term debt provides current financial resources to governmental funds, while financing obligation payments are expensed in the Governmental Funds as a use of current financial resources. However, these transactions have no effect on net assets.

Financing Obligations - Proceeds		(785,471)
Financing Obligations		<u>159,961</u>

Change in Net Assets of Governmental Activities	\$	<u><u>284,945</u></u>
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**INDEX FOR NOTES
TO THE FINANCIAL STATEMENTS**

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ANDERSON COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county presents its government-wide and its fund financial statements utilizing a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on the Balance Sheet - Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets among other items are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Anderson County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the application of the criteria stated in GASB 14 and GASB 39, there are no component units which merit consideration as part of the reporting entity.

C. Anderson County Elected Officials Not Part Of Anderson County, Kentucky

Kentucky Law provides for election of the officials below from the geographic area constituting Anderson County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Anderson County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

ANDERSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary Funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, 2) operating grants and contributions, and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Funds are characterized as either major or non-major funds. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary funds) and whose total assets, liabilities, revenues, and expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

ANDERSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Governmental Funds

The government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Governor's Office for Local Development requires a separate fund or where management requires that a separate fund be used for some function.

Road and Bridge Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

AEMS Fund - The primary purpose of this fund is to account for the emergency medical response system of the county. The primary sources of revenue for this fund are AEMS Collections, borrowed funds, and transfers from the Capital Outlay Fund.

Capital Outlay Fund - The primary purpose of this fund is to help maintain other funds. The primary sources of revenue are insurance premium tax. The majority of the fund's money is transferred to other funds to operate their budgets.

The government also has the following non-major funds: Jail Fund, LGEA Fund, Park Fund, AOC Escrow Fund, Court Fine Courthouse Fund, Escrow Fund, E-911 Fund, Debt Service Fund, CDBG Fund, and the Park Land Fund.

Special Revenue Funds:

All governmental funds except the General Fund, Debt Service Fund, and Capital Projects Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Debt Service Fund:

Debt Service Funds accounts for the accumulation of resources for the payment of general long-term debt principal and interest and includes funds for the AOC Escrow Fund. This fund was established to hold money deposited by the Administrative Office of the Courts (AOC) to provide for their portion of the debt service obligation for the courthouse renovation as agreed upon in a sublease agreement with the county. AOC deposits the biannual required amount, and then the trustee made the debt service payment directly to Kentucky Association of Counties Leasing Trust (KACOLT). The county pays KACOLT for the remainder of the debt service requirement out of the General Fund.

Capital Projects Fund:

Capital Projects Funds account for financial resources to be used for acquisition of major capital facilities. The Capital Outlay Fund, CDBG Fund, and the Park Land Fund are Capital Project Funds.

**ANDERSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)**

Note 1. Summary of Significant Accounting Policies (Continued)

E. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

ANDERSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Capital Assets (Continued)

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction in Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 5,000	40
Buildings and Building Improvements	\$ 5,000	40
Machinery and Equipment	\$ 5,000	10
Vehicles	\$ 5,000	10
Infrastructure	\$ 5,000	10

G. Long-term Obligations

In the government-wide financial statements long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

H. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances, may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

ANDERSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

I. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Note 2. Deposits

The primary government maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. These requirements were met, and as of June 30, 2004, the primary government's deposits were fully insured or collateralized at a 100% level with collateral of pledged securities held by the county's agent in the county's name.

ANDERSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 3. Capital Assets

Capital asset activity for the year ended June 30, 2004 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
Primary Government:				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 575,000	\$ 521,319	\$	\$ 1,096,319
Construction In Progress				
Total Capital Assets Not Being Depreciated	575,000	521,319		1,096,319
Capital Assets, Being Depreciated:				
Buildings	2,898,888			2,898,888
Other Equipment	225,840	21,822		247,662
Vehicles and Equipment	884,863	132,184		1,017,047
Infrastructure		273,952		273,952
Total Capital Assets Being Depreciated	4,009,591	427,958		4,437,549
Less Accumulated Depreciation For:				
Buildings	(505,059)	(71,358)		(576,417)
Other Equipment	(133,961)	(16,766)		(150,727)
Vehicles and Equipment	(453,968)	(89,472)		(543,440)
Infrastructure		(10,958)		(10,958)
Total Accumulated Depreciation	(1,092,988)	(188,554)		(1,281,542)
Total Capital Assets, Being Depreciated, Net	2,916,603	239,404		3,156,007
Governmental Activities Capital Assets, Net	\$ 3,491,603	\$ 760,723	\$ 0	\$ 4,252,326

Depreciation expense was charged to functions of the primary government as follows:

<u>Governmental Activities:</u>	
General Government	\$ 69,600
Protection to Persons and Property	52,526
General Health and Sanitation	750
Recreation and Culture	5,506
Roads, Including Depreciation of General Infrastructure Assets	60,172
Total Depreciation Expense - Governmental Activities	<u>\$ 188,554</u>

ANDERSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 4. Long-Term Debt

A. Courthouse Annex

Anderson County entered into a \$1,448,000 lease agreement on June 24, 1997, with the Kentucky Association of Counties Leasing Trust for the construction of a courthouse annex. The agreement requires monthly interest payments and an annual principal payment due each January 20. The effective interest rate is 5.03 percent, and the agreement is to be paid in full by January 20, 2017. The following schedule indicates principal and interest payments according to the original lease agreement. The outstanding principal balance was \$1,152,000 as of June 30, 2004. Future principal and interest requirements are:

Fiscal Year Ended June 30, 2004	Governmental Activities	
	Principal	Interest
2005	\$ 58,000	\$ 56,392
2006	61,000	53,429
2007	65,000	50,296
2008	77,000	46,796
2009	81,000	42,863
2010-2014	469,000	148,079
2015-2017	341,000	27,546
Totals	<u>\$ 1,152,000</u>	<u>\$ 425,401</u>

Anderson County subsequently entered into a sublease agreement with the Administrative Office of the Courts on June 24, 1997, for use of the courthouse annex as court facilities. The agreement state the Administrative Office of the Courts will deposit the agreed upon use allowance payments into a sinking fund until applied by the Trustee to the payment owed by the County under the original lease agreement. The Administrative Office of the Courts may renew this sublease agreement on July 1 of each even numbered year for another biennial period of two years.

B. Anderson County Park Project

Anderson County entered into a \$950,000 lease agreement on June 18, 2001, with the Kentucky Association of Counties Leasing Trust for the completion of the Anderson County Park project. The agreement requires monthly interest payments and an annual principal payment due each January 20. The effective interest rate is 4.38%, and the agreement is to be paid in full by January 20, 2021. The following schedule indicates the required principal and interest payments according to the original lease agreement. The outstanding principal balance was \$855,000 as of June 30, 2004. Future principal and interest requirement are:

ANDERSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 4. Long-Term Debt (Continued)

Fiscal Year Ended June 30, 2004	Governmental Activities	
	Principal	Interest
2005	\$ 35,000	\$ 39,500
2006	35,000	37,855
2007	40,000	36,112
2008	40,000	34,232
2009	40,000	32,352
2010-2014	235,000	130,288
2015-2019	295,000	68,718
2020-2021	135,000	6,991
Totals	<u>\$ 855,000</u>	<u>\$ 386,048</u>

C. Ambulance

Anderson County entered into a \$50,000 lease agreement on November 8, 2002, with the Kentucky Association of Counties Leasing Trust to purchase an ambulance. The agreement requires monthly principal and interest payments. The effective interest rate is 3.19%, and the agreement is to be paid in full by November 20, 2005. The following schedule indicates the required principal and interest payments according to the original lease agreements. The outstanding principal balance was \$24,262 as of June 30, 2004. Future principal and interest requirements are:

Fiscal Year Ended June 30, 2004	Governmental Activities	
	Principal	Interest
2005	\$ 17,046	\$ 370
2006	7,216	41
Totals	<u>\$ 24,262</u>	<u>\$ 411</u>

D. Sports Lighting System

Anderson County entered into a \$71,490 lease agreement on September 3, 2002, with the Kentucky Association of Counties Leasing Trust to purchase a sports lighting system. The agreement requires annual principal and interest payments due each September 1. The effective interest rate is 6.42%, and the agreement is to be paid in full by September 1, 2005. The following schedule indicates the required principal and interest payments according to the original lease agreement. The outstanding principal balance was \$47,500 as of June 30, 2004. Future principal and interest requirements are:

ANDERSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 4. Long-Term Debt (Continued)

D. Sports Lighting System (Continued)

Fiscal Year Ended June 30, 2004	Governmental Activities	
	Principal	Interest
2005	\$ 23,799	\$ 3,153
2006	23,701	1,625
Totals	<u>\$ 47,500</u>	<u>\$ 4,778</u>

E. Ambulance

Anderson County entered into a \$50,000 lease agreement on October 9, 2003, with the Kentucky Association of Counties Leasing Trust to purchase an ambulance. The agreement requires monthly principal and interest payments. The effective interest rate is 2.25%, and the agreement is to be paid in full by October 20, 2006. The following schedule indicates the required principal and interest payments according to the original lease agreement. The outstanding principal balance was \$39,275 as of June 30, 2004. Future principal and interest requirements are:

Fiscal Year Ended June 30, 2004	Governmental Activities	
	Principal	Interest
2005	\$ 16,495	\$ 718
2006	16,999	338
2007	5,781	27
Totals	<u>\$ 39,275</u>	<u>\$ 1,083</u>

F. Park Land

Anderson County entered into a \$499,000 lease agreement on January 9, 2004, with the Kentucky Association of Counties Leasing Trust to purchase park land. The agreement requires monthly principal and interest payments. The effective interest rate is 2.25%, and the agreement is to be paid in full by January 20, 2024. The following schedule indicates the required principal and interest payments according to the original lease agreement. The outstanding principal balance was \$491,372 as of June 30, 2004. Future principal and interest requirements are:

ANDERSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 4. Long-Term Debt (Continued)

F. Park Land (Continued)

Fiscal Year Ended June 30, 2004	Governmental Activities	
	Principal	Interest
2005	\$ 18,700	\$ 9,911
2006	19,271	10,437
2007	19,760	8,997
2008	22,007	10,114
2009	21,091	8,660
2010-2014	115,462	29,932
2015-2019	134,285	16,945
2020-2024	140,796	24,031
Totals	<u>\$ 491,372</u>	<u>\$ 119,027</u>

G. Road Equipment

Anderson County entered into a \$164,981 lease agreement on January 22, 2004, with the Kentucky Association of Counties Leasing Trust to purchase road equipment. The agreement requires monthly principal and interest payments. The effective interest rate is 2.18%, and the agreement is to be paid in full by February 20, 2009. The following schedule indicates the required principal and interest payments according to the original lease agreement. The outstanding principal balance was \$154,749 as June 30, 2004.

Future principal and interest requirements are:

Fiscal Year Ended June 30, 2004	Governmental Activities	
	Principal	Interest
2005	\$ 31,266	\$ 3,103
2006	27,183	3,088
2007	33,250	2,488
2008	34,298	1,675
2009	28,752	107
Totals	<u>\$ 154,749</u>	<u>\$ 10,461</u>

ANDERSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

H. Changes In Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2004, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
<u>Governmental Activities:</u>					
Financing Obligations	\$ 2,138,648	\$ 785,471	\$ 159,961	\$ 2,764,158	\$ 200,306
Governmental Activities					
Long-term Liabilities	<u>\$ 2,138,648</u>	<u>\$ 785,471</u>	<u>\$ 159,961</u>	<u>\$ 2,764,158</u>	<u>\$ 200,306</u>

Note 5. Short-term Debt

In July 2003, the County participated in the Kentucky Association of Counties Kentucky Advance Revenue Program by issuing a note in the amount of \$769,900, with principal being due in January 2004. While the County did not use the borrowed funds in order to meet current General Fund expenses, they were able to reinvest the funds and receive net interest earnings from the Kentucky Association of Counties Kentucky Advance Revenue Program of \$223.

Note 6. Employee Retirement System

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing multiple-employer defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.34 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 18.51 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement System, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at 502-564-4646.

ANDERSON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 7. Deferred Compensation

The Anderson County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate. These deferred compensation plans permit all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report.

Note 8. Insurance

For the fiscal year ended June 30, 2004, Anderson County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 9. Changes in Accounting Principles and Prior Period Adjustments

The county has elected to implement Governmental Accounting Standards Board (GASB) Statements 33, 34 and 37, as they relate to the modified cash basis of accounting as described in Note 1, which has altered the format and content of the basic financial statements. The effect of this change on the beginning net assets of the governmental activities is an increase of \$1,352,955, due to capital assets and long-term debt previously not reported.

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ANDERSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2004

ANDERSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2004

GENERAL FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Taxes	\$ 1,260,000	\$ 1,377,650	\$ 1,404,944	\$ 27,294
In Lieu Tax Payments				
Excess Fees	49,359	198,207	196,221	(1,986)
Licenses and Permits	75,000	99,400	111,647	12,247
Intergovernmental Revenue	167,362	536,274	721,142	184,868
Charges for Services	131,300	131,300	126,639	(4,661)
Miscellaneous	42,100	116,830	155,863	39,033
Interest	6,000	6,000	2,441	(3,559)
Total Revenues	<u>1,731,121</u>	<u>2,465,661</u>	<u>2,718,897</u>	<u>253,236</u>
EXPENDITURES				
General Government	564,166	643,632	613,336	30,296
Protection to Persons and Property	154,162	427,093	412,391	14,702
General Health and Sanitation	124,241	323,072	311,088	11,984
Social Services	27,095	27,095	24,024	3,071
Recreation and Culture		521,320	521,319	1
Debt Service	33,000	57,903	110,389	(52,486)
Capital Projects	15,000	284,137	231,618	52,519
Administration	790,305	1,575,698	783,933	791,765
Total Expenditures	<u>1,707,969</u>	<u>3,859,950</u>	<u>3,008,098</u>	<u>851,852</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>23,152</u>	<u>(1,394,289)</u>	<u>(289,201)</u>	<u>1,105,088</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds		1,437,758	68,732	(1,369,026)
Transfers To Other Funds	(79,527)	(944,508)	(510,162)	434,346
Financing Obligations		747,750	735,471	(12,279)
Total Other Financing Sources (Uses)	<u>(79,527)</u>	<u>1,241,000</u>	<u>294,041</u>	<u>(946,959)</u>
Net Changes in Fund Balance	(56,375)	(153,289)	4,840	158,129
Fund Balance - Beginning	<u>56,375</u>	<u>153,289</u>	<u>177,678</u>	<u>24,389</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 182,518</u>	<u>\$ 182,518</u>

ANDERSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2004
(Continued)

	ROAD AND BRIDGE FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 590,003	\$ 808,702	\$ 841,153	\$ 32,451
Miscellaneous	12,400	41,530	35,361	(6,169)
Total Revenues	602,403	850,232	876,514	26,282
EXPENDITURES				
Roads	692,718	759,414	690,790	68,624
Capital Projects	15,000	195,133	21,822	173,311
Debt Service		171,000	170,729	271
Total Expenditures	707,718	1,125,547	883,341	242,206
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(105,315)	(275,315)	(6,827)	268,488
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	85,315	255,315	85,315	(170,000)
Total Other Financing Sources (Uses)	85,315	255,315	85,315	(170,000)
Net Changes in Fund Balance	(20,000)	(20,000)	78,488	98,488
Fund Balance - Beginning	20,000	20,000	(24,842)	(44,842)
Fund Balance - Ending	\$ 0	\$ 0	\$ 53,646	\$ 53,646

ANDERSON COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2004
(Continued)

	AEMS FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 15,000	\$ 15,000	\$ 11,133	\$ (3,867)
Taxes	66,000	66,000	57,108	(8,892)
Charges for Services	860,000	860,000	806,500	(53,500)
Miscellaneous	30,000	36,000	7,000	(29,000)
Interest				
Total Revenues	<u>971,000</u>	<u>977,000</u>	<u>881,741</u>	<u>(95,259)</u>
EXPENDITURES				
Protection to Persons and Property	923,043	1,299,269	1,159,710	139,559
Debt Service	36,000	36,000	30,715	5,285
Total Expenditures	<u>959,043</u>	<u>1,335,269</u>	<u>1,190,425</u>	<u>144,844</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>11,957</u>	<u>(358,269)</u>	<u>(308,684)</u>	<u>49,585</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds		320,226	250,000	(70,226)
Transfers To Other Funds	(11,957)	(11,957)		11,957
Financing Obligations		50,000	50,000	
Total Other Financing Sources (Uses)	<u>(11,957)</u>	<u>358,269</u>	<u>300,000</u>	<u>(58,269)</u>
Net Changes in Fund Balance			(8,684)	(8,684)
Fund Balance - Beginning				
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (8,684)</u>	<u>\$ (8,684)</u>

ANDERSON COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2004

Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. Formal budgets are not adopted for the Debt Service Fund.

The State Local Finance Officer does not require the Debt Service Fund to be budgeted. Bond indentures and other relevant contractual provisions require specific annual payments to these funds and these transfers are budgeted in the governmental funds.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**ANDERSON COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information**

June 30, 2004

ANDERSON COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2004

	Jail Fund	Park Fund	LGEA Fund	CDBG Fund	E-911 Fund
ASSETS					
Cash and Cash Equivalents	\$ (1,542)	\$ (7,985)	\$ 1,996	\$	\$ 124,764
Total Assets	<u>\$ (1,542)</u>	<u>\$ (7,985)</u>	<u>\$ 1,996</u>	<u>\$ 0</u>	<u>\$ 124,764</u>
FUND BALANCES					
Fund Balances:					
Reserved For:					
Encumbrances	\$	\$ 6,476	\$	\$	\$
Unreserved:					
General Fund					
Special Revenue Fund	(1,542)	(14,461)	1,996		124,764
Capital Projects Fund					
Debt Service Fund					
Total Fund Balances	<u>\$ (1,542)</u>	<u>\$ (7,985)</u>	<u>\$ 1,996</u>	<u>\$ 0</u>	<u>\$ 124,764</u>

ANDERSON COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For Year Ended June 30, 2004
(Continued)

AOC Escrow Fund	Escrow Fund	Courtfine Courthouse Fund	Park Land Fund	Total Non-Major Governmental Funds
\$ 24,802	\$ 31,716	\$ 21,344	\$ 882	\$ 195,977
<u>\$ 24,802</u>	<u>\$ 31,716</u>	<u>\$ 21,344</u>	<u>\$ 882</u>	<u>\$ 195,977</u>
\$ 2,844	\$	\$ 972	\$	\$ 10,292
	31,716	20,372		162,845
			882	882
<u>21,958</u>				<u>21,958</u>
<u>\$ 24,802</u>	<u>\$ 31,716</u>	<u>\$ 21,344</u>	<u>\$ 882</u>	<u>\$ 195,977</u>

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ANDERSON COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2004

ANDERSON COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2004

	Jail Fund	Park Fund	LGEA Fund	CDBG Fund	E911 Fund
REVENUES					
Intergovernmental	\$ 40,594	10,000	\$ 70,586	\$ 3,250	\$ 60,381
Charges for Services	16,932	41,688			
Miscellaneous Revenues	1,683	31,280			
Interest					
Total Revenues	59,209	82,968	70,586	3,250	60,381
EXPENDITURES					
Protection to Persons and Property	490,097		2,389		41,089
Recreation and Culture		189,889	4,000		
Roads			21,792		
Debt Service		161,064			
Capital Projects				5,250	
Total Expenditures	490,097	350,953	28,181	5,250	41,089
Excess (deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(430,888)	(267,985)	42,405	(2,000)	19,292
Other Financing Sources (Uses)					
Transfers To Other Funds					(68,732)
Transfers From Other Funds	365,590	260,000			
Total Other Financing Sources (Uses)	365,590	260,000			(68,732)
Net Change in Fund Balances	(65,298)	(7,985)	42,405	(2,000)	(49,440)
Fund Balances - Beginning	63,756		(40,409)	2,000	174,204
Fund Balances - Ending	\$ (1,542)	\$ (7,985)	\$ 1,996	\$ 0	\$ 124,764

ANDERSON COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2004
(Continued)

AOC Escrow Fund	Escrow Fund	Court Fine Courthouse Fund	Park Land Fund	Total Non-Major Governmental Funds
\$ 81,132		\$ 59,320		\$ 325,263
				58,620
			952	33,915
306			52	358
81,438		59,320	1,004	418,156
		95,191		628,766
			6,718	200,607
				21,792
56,699				217,763
				5,250
56,699		95,191	6,718	1,074,178
24,739		(35,871)	(5,714)	(656,022)
				(68,732)
	44,734			670,324
	44,734			601,592
24,739	44,734	(35,871)	(5,714)	(54,430)
62	(13,018)	57,215	6,596	250,406
\$ 24,801	\$ 31,716	\$ 21,344	\$ 882	\$ 195,976

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Honorable Anthony D. Stratton, Anderson County Judge/Executive
Members of the Anderson County Fiscal Court

Report On Internal Control Over Financial Reporting
And On Compliance and Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Anderson County, Kentucky, as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated January 30, 2006. Anderson County prepares its financial statements in accordance with the modified cash basis of accounting which is a comprehensive basis of accounting other than the generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Anderson County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Anderson County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Report On Internal Control Over Financial Reporting
And On Compliance and Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

Mountjoy & Bressler, LLP.

Mountjoy & Bressler, LLP

Audit fieldwork completed -
January 30, 2006

**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

ANDERSON COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2004**

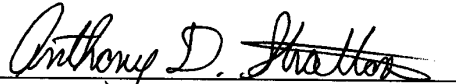
CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS

ANDERSON COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2004

The Anderson County Fiscal Court hereby certifies that assistance received from the Local Government Economic Development Program and Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Name

County Judge/Executive



Name

County Treasurer